

2006

Rhode Island Current Conditions Index -- January 2006

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CURRENT CONDITIONS Index

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A new year, a new gear! Rhode Island began 2006 with a substantially better performance than it registered during most of 2005, finally moving beyond "first gear." For January, the Current Conditions Index rose from 58 to 67, with eight of its twelve indicators improving. More importantly, there were a number of very strong performers. Two of these (**Single-Unit Permits** and **Retail Sales**) registered astronomical increases, largely the result of seasonal effects associated with an atypically warm January. Of the remaining indicators that improved, all but one (**Private Service Producing Employment**) displayed strong changes.

First for the astronomical. In January, **Single-Unit Permits**, which measure new home construction, increased by 54.8 percent above its value last January. The number of Permits last January was atypically low, so the "comp" for this January's rise was easily exceeded. **Retail Sales** rose by just under 20 percent compared to a year ago. While weather was a factor here, the increasing importance of holiday gift cards, many of which were cashed in during January, played a

CCI Indicators - % Change

Government Employment	-0.3
US Consumer Sentiment	-4.9
Single-Unit Permits	54.8 Y
Retail Sales	19.8 Y
Help Wanted Advertising	-1.0
Priv. Serv-Prod Employment	1.4 Y
Total Manufacturing Hours	-3.4
Manufacturing Wage	2.0 Y
Labor Force	2.0 Y
Benefit Exhaustions	-5.7 Y
New Claims	-7.2 Y
Unemployment Rate	-6.0 Y

Y = Improved Value

significant role. **Retail Sales** strength was especially strong in light of the fact that **US Consumer Sentiment** remained weak, falling by 4.9 percent compared to last January.

Benefit Exhaustions, which reflects long-term unemployment, and **New Claims**, a measure of layoffs, continued to perform well. **Benefit Exhaustions** fell by 5.7 percent, the seventh decline for this indicator in the last eight months. **New Claims** for Unemployment Insurance fell by 7.2 percent, the ninth consecutive month for which this indicator has improved. The recent strong performances by these two indicators is somewhat surprising, since labor demand, as measured by **Help Wanted Advertising**, has continued to

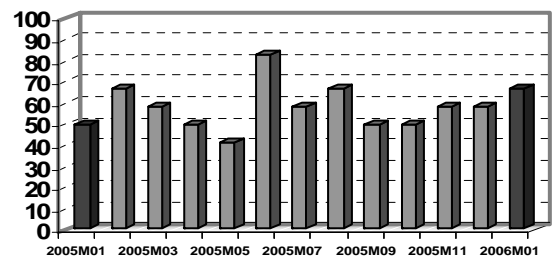
weaken. For January, **Help Wanted Advertising** fell by one percent, matching its largest rate of decline since last October. This indicator has now fallen for three of the last four months. Continued declines in this indicator will make the recent gains in **New Claims** and **Benefit Exhaustions** difficult to sustain.

Our **Labor Force** continued to grow, rising by 2.0 percent in January. This relatively high growth rate is partly the result of a weak "comp" last January, as our **Labor Force** and Resident Employment fell through much of 2004 and remained weak during the first three months of 2005. The true test for **Labor Force** growth will begin in April, when the "comps" return to levels more typical of what we have witnessed in recent years. Our **Unemployment Rate** dropped from 5 percent last January to 4.7 percent this January. This is a positive result, especially as our **Labor Force** has been growing.

Government Employment fell in January (by 0.3%), something we will see more of as budget tightening progresses. Along with this, **Private Service-Producing Employment** grew at a sluggish 1.4 percent rate. Ironically, this was actually a fairly typical growth rate for this indicator, based on the revised labor market data. Weakness in our goods-producing sector moderated, as the rate of decline in **Total Manufacturing Hours** slowed to 3.4 percent in January. As this was occurring, the **Manufacturing Wage** grew by 2.0 percent, its most rapid rate of increase since December of 2001.

Rhode Island began 2006 on a positive economic note. Expect more good news throughout the first half of 2006, after which the pace of economic activity here will begin to moderate, as the national economy slows and measures taken to balance our state's budget further reduce our rate of growth.

CCI Over the Past 13 Months



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	50	67	58	50	42	83	58	67	50	50	58	58
2006	67											